

The MORTGAGE BANKER

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Little Possibility Seen That FHA Will Act to Further Regulate Prepayments

Agency's counsel feels that any move to make a 1% premium payable in all cases might create some new problems

PORTFOLIO raiding and the satisfactory—or unsatisfactory if you like—performance of the FHA refinancing certificates have been much in the mortgage spotlight for the past year but never more noticeably than in recent months. As a result MBA has had these problems under study and they were high on the list of matters for review with federal officials when President Charles A. Mullenix, Past President Dean R. Hill and Secretary George H. Patterson conferred with them recently in Washington.

MBA officials raised the point that there seemed to be a good many pay-offs recently which—to say the least—take advantage of the provision to pay off without penalty when the payment is all in cash and does not represent refinancing. The result has been, it was pointed out, that many payments are being made in cash and the loans refinanced elsewhere—not with the present mortgagees who may well be willing to meet the amount and terms. Judging from current correspondence, the problem has become one of no small proportions.

B. C. Bovard, general counsel of FHA, took the matter under review and his detailed opinion has been given to President Mullenix. Briefly,

there seems to be nothing that FHA can do now to help mortgage bankers in this regard and the agency is convinced it is a matter for lenders themselves to solve. Bovard feels that any such action as suggested would create many new problems, that it could not apply to existing loans and hence would not protect present portfolios and, fur-

INTEREST RATES DROP— AS IF WE DIDN'T KNOW

Here are some statistics for which the national office often receives requests. These are government data just announced:

The average interest rate on first mortgages on owner-occupied one-family non-farm dwellings in the United States was 5.55 per cent in 1940. The average interest rate represented a reduction of about 2/3 of 1 per cent from the average rate of 6.24 per cent in 1920.

There were 11,413,036 owner-occupied non-farm dwellings in 1940, representing 41.1 per cent of the total. Of the owner-occupied units 45.3 per cent were mortgaged, with a total mortgage indebtedness of \$8,633,722,000.

ther, it would be a difficult matter to define "savings" from the standpoint that it would have to be defined.

Most important, of course, is his definite statement that if refinancing certificates have been signed by mortgagors without the full knowledge of what they were signing, criminal action can result.

Because FHA's position is so clearly set forth in Mr. Bovard's letter to President Mullenix, we reproduce it here in full:

"We fully recognize the problems now confronting mortgagees in establishing and maintaining satisfactory portfolios of sound mortgage investments on a profitable basis, in view of the keen competition prevailing among lenders and brokers. I assure you that we will gladly cooperate wherever possible in simplifying these problems, but we must be careful to see that the proposed remedies do not create further problems which would be even more difficult of solution.

"Your first suggestion is that we amend our Regulations with respect to the 1 per cent prepayment premium so that such premium would be payable in all cases, regardless of whether the mortgage was refinanced with a new insured mortgage or was prepaid from the proceeds of a cash sale, except in the one instance where the prepayment was actually made from 'savings.' I am afraid this suggestion would not meet the situation and would create

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new and more difficult problems, for the following reasons:

"In the first place, an amendment of this nature could have no effect upon the rights of the parties to any mortgage previously insured or committed to be insured, and could apply only to mortgages insured thereafter. For this reason, it could afford no protection to mortgagees with respect to existing portfolios. You can readily appreciate that the parties must be in a position to rely upon the Regulations in force at the time the mortgage is insured and to know that their rights thereunder cannot be impaired by subsequent amendments to the Regulations. This assurance is expressly provided in the Regulations.

"In the second place, I know of no satisfactory definition of 'savings' which would be helpful in distinguishing between cash received from the sale of securities, automobiles, or real estate and if the mortgagor's savings are invested in such property and the insured mortgage is paid from the proceeds of sale, it would seem that he could properly certify that he had paid the mortgage out of 'savings.'

"Section 2 (e) of Article III of our Regulations waives the 1 per cent prepayment premium only where the mortgagor who makes the prepayment during the national emergency does not borrow any of the funds used. This Regulation was issued to conform with the policy of the President to encourage debtors to reduce the amount of their obligations. To penalize the mortgagor who prepaid his obligation without borrowing, merely because his purchaser saw fit to borrow, would have been inconsistent with this policy. It would also have been administratively unworkable since the mortgagor would, under no circumstances, be in position to certify that his purchaser, over whom he has no control, had not borrowed any part of the purchase price.

"Your second suggestion pertains to the refinancing certificate required under Section 203 (f) of the Act. This provision does not involve the payment or waiver of the 1 per cent prepayment premium and is in no way affected by the sale of the mortgaged property. It applies only to the situation where an existing mortgage, whether insured or uninsured, is being refinanced with a

new insured mortgage and requires the new mortgagee to submit with the new application for insurance a certificate executed by the mortgagor to the effect

DO YOU KNOW OF A CASE?

Your attention is directed to what Mr. Bovard has to say about the possibility of a lender securing the signature of a mortgagor on a refinancing certificate without the latter's full knowledge of exactly what he is signing. Do you know of such a case? We would like to hear about it. Submit all the facts but of course you need not at this time use any names.

that he has applied to the holder of the existing mortgage for such refinancing and that after reasonable opportunity such holder failed or refused to make a loan of like amount and on as favorable terms as those of the loan secured by the mortgage offered for insurance, after taking into account various factors entering into such determination.

"This provision should put the holder of the existing mortgage in a favorable competitive position, but it still requires him to meet the competition to the satisfaction of the mortgagor, since it is the mortgagor who determines which loan is more favorable. If the facts stated in the certificate are true and the determination is fairly made this provision should be of material assistance in protecting existing portfolios, where the holder is able and willing to meet competition.

"There appears to be no reasonable incentive on the part of the mortgagor to falsely certify to such facts. On the contrary, it is clearly to his interest to get the loan on the best terms possible and hence to give the holder a chance to name his most favorable terms.

"It is, of course, recognized that some unscrupulous agents or brokers for reasons of personal profit may induce an innocent or unsuspecting mortgagor to execute such certificate, without having given the holder of the existing mortgage an opportunity to indicate the terms on which it would make the loan. Such cases should be brought to the attention of the insuring office and the new mortgagee and if the facts warrant, the holder may bring the matter directly to the United States Attorney for consideration with respect to possible criminal prosecution of the agent or broker under the penal provisions of the National Housing Act. To bring this possibility forcibly to the attention of the mortgagor as well as the broker, we have printed in a conspicuous place upon the certificate a warning quotation from Section 512 (a) of the Act to the effect that—

"Whoever, for the purpose of . . . influencing in any way the action of the said Administration under this Act . . . makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, . . . shall be punished by a fine of not more than \$3,000 or by imprisonment for not more than two years, or both."

"This Administration is, of course, in no position to police the execution of such certificates or determine the truth of the statements contained therein. Nevertheless, when the holder of the existing mortgage indicates to us its belief that the facts stated therein are untrue, we immediately call the matter to the attention of the mortgagee which submitted the certificate in order that it may call the matter specifically to the attention of the mortgagor to make sure that he understood the statements to which he had certified, and to give him an opportunity to modify them if he so desires.

INFLATION IN FARM LAND VALUES HERE—OR AHEAD?

On page 5 is an article about farm land values and the rise in prices. Mentioned is Gov. Black's special committee which has been meeting periodically to discuss this question. We now have a complete and detailed report of the most recent meeting which is being sent to Farm Loan Committee members. Copies will be sent to other members who request.

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"I believe that the solution of this problem lies primarily in the hands of mortgagees themselves and would be greatly simplified if all mortgagees, before submitting such certificates to FHA, would take all reasonable precautions to determine that the statements contained in the certificates as well as the possible consequences of falsely certifying are brought to the specific attention of the mortgagor and also to the attention of any broker who may have induced the mortgagor to make such statements.

"I assure you we will be glad to cooperate in any way possible in educating mortgagees along this line, and I am confident that your Association can be most helpful in this connection."

FHA Has No Powers to Regulate Payment of Bonuses to Outsiders Is Bovard Ruling

FHA's position on the subject of possible action to ban payment of fees and bonuses to contractors, builders and others outside the mortgage business for originating loans is that it "is not authorized under any provision of the National Housing Act to make such a requirement."

Hence no action will be taken by FHA—at least under the National Housing Act as it stands now. FHA feels somewhat about this matter as it does about prepayments—that it is a job for mortgage bankers themselves and that the federal agency cannot be a policeman for the industry.

So at this moment we are back where we started and that means it is still a job for local chapters working in harmony for the best interest of mortgage lending in their communities.

A great many inquiries have come in recently about what action chapters ought to take. The best answer is that members should explore the problem fully as it exists in their own local community, then write a resolution setting forth the objectives which they wish attained. Then incorporate into that resolution the provision that these objectives are those which the members of the chapter recommend. Present it to the full membership for approval.

So there the matter stands.

President Mullenix later suggested to FHA the possibility of permitting mortgagees to insert a clause in insured loans which would provide for a penalty of 1 per cent in the event of prepayment other than from savings.

"This, it seems to me, would be fair," he said and added that it would not conflict with the President's policy of urging debt reduction wherever possible during the war period.

"It would not involve FHA in policing and would place the entire responsibility on mortgagees to determine equitably whether prepayment is made from savings or otherwise."

Further comments from members on this matter are solicited.

That is as far as you can go.

Mortgage bankers are honest reputable business men who want to get along with their contemporaries and will adhere to a recommendation of this kind. Of course there will always be a few who want to hold out or who will vote their approval and then not adhere to it. These represent the big problem—in fact, they are the problem. In a word, the resolution is your principal weapon now to combat what probably every mortgage banker would like to

see ended.

Despite the circumstances which make it impossible now for the FHA to assist in this matter, the fact remains that 85 per cent of the members participating in our recent poll would like to see some sort of federal regulation. (See May 15, 1943 *Local Chapter News* which also shows that 99 per cent of the replying members say we aren't justified in paying premiums to builders and contractors and 92 say the same about brokers.)

A more careful examination of the data published in *Local Chapter News* is interesting. Norman H. Nelson, treasurer, Minnesota Mutual Life Insurance Company, St. Paul, said that it "will be noticed that 15 per cent were opposed and voted 'no.' There may have been many reasons for such action. One view which may have been considered is that the prohibiting by FHA of the payment of fees to builders, etc., might give certain competitors (who do not make FHA loans but who nevertheless can make high percentage loans) an undue advantage in the soliciting of loans."

What is a fair and reasonable premium for $4\frac{1}{2}$ per cent FHA loans provided the mortgagee is able to retain the entire premium himself and should be prohibited by FHA from dividing it with contractors and builders? The statistics were published in *Local Chapter News*; here they are stated differently:

Title II Loans— $\frac{1}{2}$ per cent service-

Court Takes Realistic View in Default

The appellate division of the New York Supreme Court has just handed down a decision which, it is said, may have an important influence on future Soldiers and Sailors Civil Relief Act cases. In a word, the mortgagor claimed that because he was in military service he was entitled to the benefits of the Act. Four of the five justices thought otherwise and ruled that his failure to meet monthly payments occurred before induction and could not be attributed to his military service.

The decision said: "The stat-

ute is to be liberally administered as an instrument to accomplish substantial justice in order to protect the interests of persons in the military service but it may not be employed as a means of enabling one who has flouted his obligations in civilian life to obtain indefinite delay or to cancel his just liabilities."

We have heard and read many predictions about how extremely liberal courts were going to be in cases of this sort but it would appear that, in this instance at least, the facts were faced in a most realistic manner.

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Internal Revenue Boys Change Their Minds

Those MBA members who may have missed the Bureau of Internal Revenue ruling should know that the exemption of real estate salesmen from federal taxes for old age benefits and for unemployment compensation was terminated April 1, 1943. This reverses the 1938 decision on this subject. The ruling holds that realty salesmen who work on a commission basis are not independent contractors, but are employees of the brokers with whom they are associated. Even though the relationship between broker

and salesman is evidenced by written contract the broker is required by this new ruling to pay taxes on the remuneration of all salesmen beginning April 1st. The Bureau revoked specifically its prior ruling regarding such contracts. The old age benefit tax is 2 per cent on the amount of the salesman's compensation. One-half of the tax must be paid by the broker, the other half by deduction from the salesman's commission. The tax applies to every realty broker having one or more office employees or salesmen.

ing: 51 per cent suggested a price range from $100\frac{1}{2}$ to 102; 72 per cent said $100\frac{1}{2}$ to $102\frac{1}{2}$.

Title II Loans— $\frac{3}{4}$ per cent servicing: 38 per cent suggested a price range from 100 to 101; 69 per cent said 100 to $101\frac{1}{2}$.

Title VI Loans— $\frac{1}{2}$ per cent servicing: 75 per cent suggested a price range from $100\frac{1}{2}$ to 102; 90 per cent said $100\frac{1}{2}$ to $102\frac{1}{2}$.

Title VI Loans— $\frac{3}{4}$ per cent servicing: 59 per cent suggested a price range from 100 to 101; 82 per cent said 100 to $101\frac{1}{2}$.

"This indicates that the mortgage banker wants a substantial premium whether or not he divides it with another. He may feel that if the loans did not come to him automatically from the builders (with division of the premium as a lure) he might have to engage more full time solicitors to work for him on either a salary or commission basis. However, it has been suggested that solicitors will not take nearly as large a cut in the premiums received as builders have taken," Nelson said.

"It will be noted that, based on the same 'price range' and the same 'servicing,' a greater percentage of mortgage bankers favored a high 'price range' for Title VI than for Title II. For example, 90 per cent favored a price for Title VI up to $102\frac{1}{2}$, with $\frac{1}{2}$ per cent for servicing, whereas 72 per cent thought a price for Title II up to

$102\frac{1}{2}$, with $\frac{1}{2}$ per cent for servicing, would be sufficient.

"This may indicate that mortgage bankers do not consider Title VI as permanent as Title II; that Title VI loans may be foreclosed earlier and that therefore the mortgage banker should try to make up in premium what he expects to lose later in servicing."

Is This a Subject We Publicly Avoid?

Representatives of building material manufacturers, mortgage banking interests, building contractors, governmental agencies and other groups interested in housing reform foresee gradual rather than sudden and radical changes in the residential building picture. Changes in design will necessarily have to be preceded by public acceptance of the new forms. . . .

One commentator notes that the obstacle of antiquated building codes must be overcome; but no one mentions the basic obstacle to any genuine technical progress in the building industry—the opposition of organized labor to any new methods or materials that will cut labor costs or eliminate unnecessary work. Here is the principal bottleneck to cheaper and better housing. Here is the source of most of the opposition

To what extent if any would the premiums be reduced if lenders were not required to retain custody of and disburse the escrow funds? Seventy-seven per cent said "none" while 81 per cent said "none" or "very little."

"This seems to dispose of the possibility that custody and disbursement of escrow funds are considered burdensome. Many mortgage bankers no doubt feel that they have to maintain their organizations anyway and that they are well equipped to handle escrow funds economically," Nelson pointed out.

"It might reasonably have been expected that were FHA to prohibit division of premiums with builders, etc., thus permitting the mortgage banker to retain the entire premium, the investor might benefit at least partially. The price range suggested by the questionnaire for Title II changed slightly. There are practically no such loans to be had. The price range suggested for Title VI shows no downward change. Under the circumstances as outlined in the questionnaire the results are quite surprising as well as thought-provoking."

to modernized building codes. The building trades unions wield sufficient political influence to keep city councils from authorizing materials and methods that would make housing cheaper.

After the war there will be a tremendous demand for new housing. The materials are available to produce better houses than we have ever had, cheaper than they could ever be built before. The improved techniques of building are available and the savings inherent in mass production. But these boons can be utilized only if public opinion forces the issue. They will not be utilized if those who have dominated the building trades for the last half century continue to practice successfully in the future the same pressure politics that they have practiced in the past.—*Chicago Daily News*.

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Such Things as Farm Land Transfer Tax are Being Proposed to Halt Inflationary Rise

FOR months *The Mortgage Banker* has wanted to say something about the farm loan business; but each time some material was put together into something that looked as if it might interest farm members, a closer look convinced us that it was by no means a representative story of what was actually going on.

That something is going on in the farm mortgage credit economy is plain, however. The other day James Patton, president of the National Farmers' Union, advocated a farm land transfer tax to combat farm land inflation. The magnitude of such a development can hardly be realized. It isn't particularly new, however. Some people in the Middle West were advocating the same thing more than a year and a half ago and were saying just about what Mr. Patton is saying now. To them the danger then loomed just as serious as Mr. Patton sees it now. Patton went on to observe that:

"Drastic steps need to be taken very shortly in this land inflation situation. Land prices have increased approximately as rapidly this time as they did in the first World War. If we are not very careful, we will go through the same 'boom and bust' history as we did then."

A federal transfer land tax, "steeply graduated," would curb speculation, he added, and in addition "we probably ought to have strong federal reserve credit controls brought in."

The purpose of these brief comments isn't to attempt to analyze present farm credit conditions or forecast the future. Our farm members are familiar with what is going on in their own loaning territories better than we are; and that is specifically what they are most interested in at the present time. The agricultural department, however, has just gotten together some data—the latest comprehensive factual material to be assembled on the subject—which shows better than anything available now what is going on in farm land values.

Briefly, the statistics show that farm land values took a sharp jump upward last year. What they are going to do

from now on isn't told and one opinion is about as good as another.

Farm real estate values on March 1, 1943, were sharply higher than a year earlier. A preliminary index of average per acre values (1912-14=100) for the country as a whole was 99 on March 1, compared with 91 a year earlier, 85 in 1941, and a low of 73 in 1933. *This 9 per cent increase in values in the last year is the most substantial that has occurred in any year since 1920. Most of this increase occurred during the last 4 months*, as the comparable index for November 1 was 93. Land value increases during the past year were widespread, with some advance reported for each of the 48 States.

For the second successive year, sharp increases in values occurred in the East South Central and Mountain States. Increases somewhat under the substantial advances of a year ago were reported for the East North Central States, while the increases of the past year in the Middle Atlantic and West North Central groups of States materially exceeded the moderate increases of the previous year. Increases of 20 to 24 per cent have occurred in 13 States; 15 to 19 per cent in 16 States; 10 to 14 per cent in 11 States; and less than 10 per cent in 6 States.

For the country as a whole, preliminary reports indicate that the volume of voluntary transfers the past 12 months will be somewhat below the high level reported for the year ended March, 1942, but above any other year since 1919-20. In general, active farmers continued to be reported as

buyers in about three-fifths of all voluntary transfers, although in some areas investment purchase by non-farmers has increased.

The rise in values during the past year reflects the effects of the rise in commodity prices, record levels of farm income, and accumulation of liquid funds by farmers and others. The practical depletion of the large number of farms recently held for sale by lending agencies, elderly farmers, and estates in the process of liquidation also has been a factor favorable to higher values.

The value-stimulating influences are tempered to some extent by existing or expected farm labor shortages, higher wages and other costs, difficulties in obtaining adequate supplies, farm commodity price controls, heavier taxes, the confused post-war outlook, and the recollection of the crash in values following the last war.

(We will send on request the department's table giving statistics for all 48 states.)

No mortgage man needs to be told that federal farm lending agencies are being scrutinized now more than at any time in the past decade. The FSA—as of this writing—looks like a dead pigeon or at least a pigeon with wings well clipped. The bankers, particularly the country bankers, are pretty mad about the RACC and there are many resolutions and bills in congress calling for a full dress investigation of all federal lending agencies and particularly those in the farm field.

But it would be a big job to liquidate all farm lending agencies. There are 18 others — Federal Land Banks, Land Bank Commissioner, National Farm Loan Association, Production Credit Corporation (the country bankers would like to knife this one, too), Production Credit Associations, Central Bank for Cooperatives, Commodity Credit Corporation, Disaster Loan Corporation, District Banks for Cooperatives, Electric Home and Farm Authority, Emergency Crop and Feed Loan, FCA, Federal Credit Unions, Federal Crop Insurance Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Puerto Rico Reconstruction Administration and Rural Electrification Administration.

GEORGE V. ROTAN

With deep regret we announce the death of George V. Rotan of Houston, Texas, a former member of the MBA board of governors. Mr. Rotan served on the board during the early days of the Association. Among those who survive is his son, Edward Rotan of Houston.

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Now what are mortgage bankers, institutional lenders and others with similar interests doing about this so-called inflation in farm land values? The answer seems to be that not a great deal can be done at this time. What has happened and is happening is the result of economic laws working as they have worked in the past.

At the April meeting of the special committee organized by Gov. A. G. Black of the FCA, where MBA was represented by S. M. Waters, chairman of the farm loan committee, most of the government officials seemed to think "something should be done." But what that something is was not defined. As members know, this committee is composed of representatives of life companies, all federal agencies interested in farm credit, MBA, ABA, the farm organizations like the Grange, Farm Bureau and about all the national groups in the country which have any

interest in preserving a stabilized farm economy.

As far as federal lending is concerned, there is one significant straw in the wind today and that is that many other groups have begun to appreciate what we in MBA have known for a long time—namely, that trends in mortgage credit have usually started in the farm field and then spread to the city loan field.

If developments which seems to be under way now carry through, there is at least some basis for encouragement. The other day the director of one of a contemporary organization went so far as to say that "I predict that within five years the farm mortgage credit system of this country will again be predominantly a private and cooperative enterprise proposition instead of the 60-40 proposition it is now between private lending and government agency lending today."

While Others Talk of Urban Rehabilitation Metropolitan Plans First Post War Project

IT almost appears that one of our principal wartime industries is post war planning and devising schemes for urban rehabilitation but, strangely enough, it seems to be an industry confined practically entirely to talk.

But there is one organization in the country that has been leaving the talking to others while it has been acting and carrying this action beyond the blue print stage. This great institution can claim for itself, if it wishes to do so, the title of leading factor in the task of rebuilding decayed urban centers.

It is the Metropolitan Life Insurance Company which has just announced a giant residential rebuilding project to be built after the close of the war in the heart of congested Manhattan. The project will be on a scale never before attempted in New York or anywhere else for that matter.

Frederick H. Ecker, Chairman of the Board, has told how the company will construct a park-like community of apartment buildings on eighteen blocks of land lying between 14th and

20th streets, close to the East River. The project will be carried to completion as a sound investment possessing the additional element of constructive public value.

The plan is described as a step in the direction of the new Manhattan, one in which wholesomeness of residential environment will combine with existing convenience to "anchor" families, especially those with children, to Manhattan. Construction will begin as soon as is practicable after the war.

Gustave Zismer, of Metropolitan's Housing Projects division, has supplied *The Mortgage Banker* with additional information to that contained in the original announcement.

The project will amount to the creation of a new apartment neighborhood housing about 24,000 persons. There will be 35 buildings placed to receive maximum sunlight and air. The apartment buildings will occupy only about one-quarter of the area and will stand among lawns and trees and quiet paths in a suburban atmosphere. Garages

will be included. The apartments will be rented to families of middle income. Anyone who knows this section of New York will certainly be intrigued by the possibility of such a development.

Mr. Ecker's announcement followed Governor Dewey's action in signing the Urban Redevelopment Bill. This amended the Urban Redevelopment Law of 1942 to encourage private investment in the rehabilitation of obsolete but potentially valuable city neighborhoods.

This law was passed to overcome the effects of substandard conditions which "depress and destroy the economic value of large areas and by impairing the value of private investments threaten the sources of public revenues." The new Metropolitan project is the first under the provisions of the law and its amendments.

The actual boundaries of the section which the Metropolitan will rebuild are 14th and 20th Streets, First Avenue to Avenue C. On the east is the East River Drive with a pedestrian walk at the water's edge. Transit facilities are adequate. In the section's present state, aged tenements and stores, factories, garages and other small industrial buildings and vacant lots are indiscriminately mingled. Population has dwindled. Deterioration or "blight" has followed.

The new housing plan, according to Mr. Ecker, will transform an area close to midtown into a delightful residential community affording excellent "walk-to-work" possibilities. With a minimum coverage of land by apartment buildings, it will be characterized by park planning with an atmosphere of trees and paths such as many suburbs do not possess. Special emphasis will be placed upon the recreational needs of children. It will provide on Manhattan Island homes even more attractive for residence than can be found in any location reached by the City's superior transportation facilities.

"To all who seek to promote the City's welfare, the deterioration which has settled upon some areas must be a matter of concern. There are two types of neighborhoods in which such deterioration is found," Ecker said.

"In one, population is comparatively large despite unfavorable environmen-

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WHAT THE PAPERS SAY

From the *New York Sun*:

"Though there seems to be little audible criticism of rent control by the OPA, administrative methods have caused dissatisfaction among mortgage companies and real estate interests. The president of the Mortgage Bankers Association of America, Charles A. Mullenix, asserted that property owners must depend on congress for relief from excessive burdens imposed by the ceilings on rents. He cited the reluctance of the Price Administrator to correct what Mr. Mullenix considers injustices in the regulation of rents by OPA. . . . All those who call for improvements in the administrative machinery of rent control are not thereby to be classed as selfish landlords. The vast investments of personal savings in real estate mortgages now put under pressure by rent control cannot be lightly ignored by the OPA in its adherence to methods which ultimately may harm such investments."

From the *Charleston (S. C.) Post*:

"It is refreshing as well as heartening to note in these days of widespread idealism that some people have their feet on the ground in relation to post-war planning. True, the Mortgage Bankers Association of America, which is criticizing the post-war housing ideas of some moral planners and uplift elements, is but a drop in the bucket of post-war planning. But its views are encouraging."

"Certainly it is well and proper for the authorities to take drastic steps in the question of immediate war housing. The centers of war production are examples of the need. It is unfortunate that only inadequate preparations for such emergencies were made. Local groups approaching the

question cautiously in the war production communities are inclined to have a safe and sane outlook on planning for the future. But the national groups soar higher and higher into the realms of post-war housing as they think it should be."

From the *Council Bluffs (Ia.) Nonpareil*:

"The Mortgage Bankers Association of America predicts a boom in the country's birthrate after the war. This in turn will call for the biggest home building program the country has ever had, to take care of the increased population. According to the association's statistical wizards, the post-war birth rate will be the biggest since 1910 and may even result in a change of architectural designs, as new fathers and mothers leave their apartments in search of more commodious quarters."

From the *Sioux City (Ia.) Journal*:

"The Mortgage Bankers Association of America has discovered a financial phenomenon resulting from the increased national income that is a perfectly natural develop-

METROPOLITAN'S PROJECT

(Continued from page 6)

tal factors. In the other, population has declined. The section suffers from blight. Well-suited to a full use, it has slowly lapsed into obsolescence.

"In the former, rehabilitation beneficial to population can be realized through slum clearance and public housing."

At the present time the Company has in addition to its successful Parkchester project, three other residential communities under construction. In each instance, construction was undertaken to meet the housing need. All are declared to express in striking manner modern thought with regard to openness and sunlight.

One community, occupying 200 acres in Alexandria, Va., just outside Washington, will accommodate 1,700 families and is now about to open for renting.

The others will also begin to rent this year. One takes in 200 acres and eventually will accommodate 2,500 families in San Francisco. The 173 acre Los Angeles community will house a like number of families. Twenty years ago the Company built several groups of model apartment buildings in Queens County and still operates these buildings profitably.

ment in times such as these, the liquidation by thousands of mortgagors of loans upon their homesteads and other property. Vast numbers of persons are paying out of their increased incomes on loans long standing, taking advantage of the opportunity to get out of debt."

From the *Wheeling (West Va.)**Intelligencer*:

"The Mortgage Bankers Association of America is alarmed at the trend of property taxation. Six months ago, the Association warned that the 45 per cent of the nation's families owning and occupying their own homes 'should prepare to resist attempts to increase real estate taxes during the next two years.' Since that time, according to President Mullenix, the threat has become greater."

"We have an infallible cure for this situation in West Virginia, a cure which the people of this State could not be induced to surrender, we are sure, under any promise. That cure is constitutional limitation of property levies. Rigid limitations which prevent absolutely the excessive taxation of real estate were written into the fundamental law of 1932. As a result, property has escaped the upswing of taxation, and real estate delinquency has almost disappeared. If the Mortgage Bankers Association wants to do something practical and effective in the way of property tax relief, we suggest a thorough study of levy limitation in West Virginia."

From the *Baltimore (Md.) American*:

"Mortgage bankers are worried about hifalutin' schemes for post-war housing of the multitudes—partly on the theory that there'll be no classes to need shelter. Boss of the group, Charles A. Mullenix, goes so far as to say:

"There is too much theorizing by reformers and planners and uplift elements and far too little consideration of what the people themselves want in post-war housing, urban rehabilitation and slum clearance."

"But maybe not. The theorizing keeps the reformers out of mischief at a time when they should be spared. They may even evolve workable ideas."

From the *Memphis (Tenn.) Press-Scimitar*:

"At a 'War and Post-War Clinic' of the Mortgage Bankers Association of America held in Chicago, President Charles A. Mullenix, Cleveland, disclosed that certain financial institutions proposed last summer to take over the entire portfolio of HOLC mortgages at par. . . . It is a compliment to real estate—an investment that at long last is being appreciated in high places."

BUY WAR BONDS

President's Report to the Membership

This issue of THE MORTGAGE BANKER is devoted principally to items of interest in connection with our most recent visit to Washington.

You are given the expressed opinion of FHA officials regarding pay-off privileges. Their reasoning is fully set forth. Your President has had to reply that he is in disagreement with the Administration with respect to certain items in the regulations pertaining to this subject. He is also of the opinion that the regulations should be amended to provide the mortgagee with a payment of 1 per cent in the event mortgages are paid off prior to maturity, except from savings on hand.

We have been requested by various interests to make suggestions regarding needed changes in the National Housing Act, and I will appreciate frank suggestions in writing from the membership at large.

With the assistance of other organizations, the procedure in the renewal of war damage insurance has been greatly simplified and a special service on this has gone to the membership.

Our negotiations and correspondence with the Federal National Mortgage Association, through its officials, has been pleasant and cooperative—and we feel assured that the principal points upon which we raised issues will be met by them, except as to price. Our position has been that the FNMA should not charge more than its cost of transfer in the sale of its mortgages because in its original purchase it paid par only. We have been definitely overruled on this point.

The Home Loan Bank Administration is appreciative of our cooperation toward the end that its members may be placed upon a safe and sound loaning basis. The Administration has requested that complaints clear through our Chicago office rather than being sent directly to Washington.

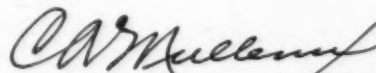
In our last conferences with officials, we discussed the sale of mortgages held by the Federal Housing Administration, and this subject will require further discussion before the subject is disposed of.

The HOLC Liquidating Committee met in New York on April 28th, and we conferred in Washington with Administrator Blandford of the National Housing Agency, Commissioner John H. Fahey of HOLC, and Commissioner Ferguson of FHA—during which conferences we initiated suggestions which we hope might result in the orderly liquidation of HOLC with a minimum of loss to the government and taxpayer.

A discussion regarding fees and commissions paid to builders and others is covered in this issue. At the moment I am inclined to agree with the position taken by the Administration, principally because I hesitate to insist upon more government regulation, and I am fearful as to what other regulations might go along with it, including the possibility of a market ceiling.

The membership of MBA has been most cooperative this year and the suggestions, both by way of telephone calls and letters, have been most helpful in the accomplishment of some favorable results for the mortgage business, both during the war period and after the war. Matters are shaping up in such fashion that we will need all the support and influence which can be gathered within MBA, and I want to urge each member to select a new member within his acquaintance who should be helpful, and to secure the membership application and send it to Chicago at his earliest convenience. I also want to urge that you bear in mind the new legal division which is going to be most helpful to our members.

You have read in the papers of the request made by the President in a special message to Congress in which he asks for an additional \$400,000,000 for temporary war housing to be constructed by the government. Administrator Blandford advises us that this request is in line with the policy to which we agreed and which was explained in the May issue of THE MORTGAGE BANKER. On this assumption, we will not oppose the appropriation. It is natural that, as time goes on, we will approach more closely the end of the war housing job and we must expect a much lesser amount of new war housing during the fiscal year beginning July 1, 1943. It has been estimated that that portion which comes under the heading of privately financed housing under the NHA policy mentioned above, will approximate 90,000 units in the new fiscal year, in addition to the backlog from the present fiscal year. These figures will be watched closely in the event any change appears necessary by reason of developments as they occur.



President.

BUY WAR BONDS

